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AICPA *Washington Report*

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AGRICULTURE, DEPARTMENT OF

Amendments to the Farmers Home Administration regulations governing Sec. 502 rural housing loans appeared in the 1/5/77 Fed. Reg., pp. 1023-28. The revisions change the definition of annual income and adjusted annual income for rural housing loans and revise Exhibit E to redelegate authorities for the granting and servicing of interest credits, for clarification, and to state that interest credits will not be renewed when the dwelling has been enlarged or related facilities added so that the housing substantially exceeds modest standards for size, design or cost.

CIVIL AERONAUTICS BOARD

The Board has adopted a CAB/SEC single reporting system designed to simplify carrier financial reports (see 1/3/77 Fed. Reg., pp. 19-46). The revisions will enable many air carriers to use their CAB reports to meet similar reporting requirements of the Securities and Exchange Commission (SEC). In addition, the amendment incorporates recent FASB standards concerning marketable equity securities and foreign currency translations, and eliminate the detailed reporting required in the area of deferred income taxes. In its official statement, the Board announced that the system represents "recognition of evolving generally accepted accounting standards brought about by ever-changing economic conditions and concepts, and concern to identify and eliminate accounting and reporting requirements that are no longer necessary."

A staff study on projected financing needs of United States airlines has been released. The study, "Airline Equipment Needs and Financing Through 1985", was developed by the Board's Bureau of Accounts and Statistics. It identifies aircraft equipment needs of the trunk and local service carrier industry through 1985, and presents financing implications that may be expected under different earning assumptions and debt/equity levels. Copies of the report are available by calling 202/673-5432.

COMMERCE, DEPARTMENT OF

Final regulations for the Coastal Energy Impact Program appear in the 1/5/77 Fed. Reg., pp. 1164-87. The regulations contain specific recordkeeping and audit procedures with which a grantee state must comply. The program regulations also provide for repayment of federal funds with interest if an audit determines that the grants were in fact expended for unauthorized purposes. The audits are to be performed by representatives of the Secretary of Commerce, the Administrator of the National Oceanic and Atmospheric Administration or the General Accounting Office.

The 97th Annual Statistical Abstract has been issued by the Census Bureau. It contains more than 100 new tables including many devoted especially to detailing the social and economic status of women and others which provide measures of financial problems of big cities. There are six new tables concerning vital statistics and health; three new tables on national expenditures for pollution control, and related environmental interests; five new tables for personal income information; and five new tables reflecting energy-related information. The '76 Statistical Abstract also has a selection of international data including six new tables on world population, rates of growth, projections, and characteristics. The Abstract is available from the GPO or Department of Commerce district offices for \$10.50 for clothbound and

and \$8.00 for paperbound editions. Included in this price is an insert, "USA Statistics in Brief, 1976". This insert may also be purchased separately for \$.35.

"Crimes Against Business: Proceedings of a Seminar Held in Phoenix, Arizona, April 23, 1976" is a compilation of materials based on the proceedings of a seminar on crimes against business. It includes discussion of white collar crimes; means by which business and government can cooperate in fighting crimes; controls of internal and external losses, and local solutions to local crime problems. Copies of the proceedings are available from the GPO or Department of Commerce district offices for \$1.90 each.

COST ACCOUNTING STANDARDS BOARD

A proposed amendment to Part 331, Contract Coverage, was published in the 12/29/76 Fed. Reg., p. 56657. The amendment would expand a provision of the regulation to allow a federal agency to have the option to use the estimates-to-complete approach where use of it is appropriate, and to retain the original-negotiation-data approach where use of it is appropriate. Comments on the proposal are due by 2/28/77.

ENVIRONMENTAL PROTECTION AGENCY

Technical amendments to the regulations governing procurement under grants for construction of treatment works were published in the 12/29/76 Fed. Reg., pp. 56633-42. Included is a change to the provision dealing with access to records to clarify that it is the grantee's responsibility to insure that access is provided. In addition, cross-reference is included to the audit requirements in the appendixes which illustrate required provisions in construction and consulting engineering contracts. The amendments will be effective 2/1/77.

FEDERAL ENERGY ADMINISTRATION

A ruling has been issued the purpose of which is to insure proper recordkeeping to establish the historical prices or volumes which serve as the basis for determining the regulated prices or volumes in regulated transactions (see 1/5/77 Fed. Reg., pp. 1035-36). The ruling, promulgated under the General Allocation and Price Rules for firms which are or have been subject to the Mandatory Petroleum Allocation and Price Regulations, clarifies the record-keeping which is to be used to demonstrate that the prices charged or the amounts sold by the firm are in compliance with FEA regulations.

FEDERAL POWER COMMISSION

Comments are requested by the General Accounting Office (GAO) on various proposed FPC reporting forms and schedules concerning requests for information in computing the Allowance for Funds Used During Construction (AFUDC) (see 12/29/76 Fed. Reg., pp. 56715-16). Part of the forms review process of the GAO, comments are requested by 1/8/77. Copies of the proposed forms and schedules and additional information may be obtained by calling 202/376-5425.

FEDERAL RESERVE BOARD

Revisions to Regulation F governing disclosures to shareholders by State member banks with more than 500 shareholders have been issued. The revision affects a guideline form, and accompanying instructions, that set forth the form and content of financial statements these banks must file with the Board of Governors. The changes conform to recent changes in the format of financial

statements that all State member banks must publish and file with the Board for supervisory purposes (the Call Report). For more information call 202/452-3204.

In addition, the amendments to Regulation B - equal credit opportunity - have also been issued. The changes take effect March 23, 1977.

GENERAL ACCOUNTING OFFICE

Robert K. Mautz, partner, Ernst & Ernst, is the recipient of the 1976 Public Service Award of the General Accounting Office. The award was made in recognition of authoritative insight and advice rendered to the Comptroller General of the United States over a period of nearly 10 years. The citation goes on to state: "Well known as a teacher and practitioner in the field of accounting, he has made many and valuable contributions to the Comptroller General's Consultant Panel since his appointment in 1966 and to the Cost Accounting Standards Board since its establishment in 1971."

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

The Office of Education has proposed amendments to its regulations governing the Education of Handicapped Children and Incentive Grants Program to implement provisions of P.L. 94-142 and to provide formula grant funds to state and local educational agencies to assist them in the education of handicapped children. The proposals appeared in the 12/30/76 Fed. Reg., pp. 56966-98, and include an incorporation by reference to the fiscal and administrative requirements in the OE regulations, 45 CFR Part 100. Written comments are requested by 3/1/77 and a series of public hearings have been set for Washington, San Francisco, Denver, Chicago, Boston and Atlanta during the month of February.

INTERSTATE COMMERCE COMMISSION

An amendment to the uniform system of accounts for Classes I and II Common and Contract Motor Carriers of Property has been adopted (see 12/30/76 Fed. Reg., p. 56819). The amendment clarifies the text under account 4400 so that carriers may enter expenses directly to the appropriate activity or accumulate expenses in control accounts for later distribution. The amendment was made effective 1/1/77.

OFFICE OF MANAGEMENT AND BUDGET

The comment period has been extended on the proposed OMB circular establishing a uniform policy for all executive branch agencies in working with commercial (non-Federal) standards-setting bodies (see 12/13/76 Wash. Report, Issue 42). The comment period has been extended from 12/31/76 to 1/31/77.

SECURITIES AND EXCHANGE COMMISSION

Staff Accounting Bulletin No. 13, dated 1/4/77, has been released. SAB 13 deals with changes to SAB 6; real estate acquired in settlement of loans; interpretations of ASR No. 177 (interim reporting); interpretations of ASR No. 190 (replacement cost); and interpretations of ASR No. 188 (New York City securities).

[Anyone wishing to receive one free copy of SAB 13 may do so by contacting our Washington office by 1/19/77. Telephone requests are encouraged and should be directed to extension 47.]

Technical amendments to the recently adopted FOCUS Report for broker-dealer reporting were published in Rel. No. 34-13100 (see 1/4/77 Fed. Reg., pp. 782-805). The amendments are designed to facilitate the application of a streamlined system of financial and operational reporting and to further reduce the amount of reporting required of brokers and dealers. Also included is proposed revocation of Forms X-17A-10 and X-17A-20. Comments on the proposal are due by 2/28/77.

Rep. John Moss (D-CA) called for "a partnership, not an adversarial relationship, between the public and the private representatives of the accounting profession" in implementing recent recommendations in his Oversight Subcommittee's report on "Federal Regulations and Regulatory Reform". In luncheon remarks to the AICPA 4th National Conference on Current SEC Developments last week, Mr. Moss cited involvement of the House Commerce Committee in a number of accounting issues in the 1970s: "unsafe and unsound practices of the securities industry; the use of incompatible accounting methodologies within the petroleum industry; the eleventh hour reporting of financial infirmities of the Penn Central; and the prevailing crisis of public confidence in corporate accountability."

In a call for action by the accounting profession to "promptly address these problems", Mr. Moss promised a dialogue during the 95th Congress between members of the Commerce Committee and the accounting profession directed toward greater mutual understanding.

TREASURY, DEPARTMENT OF

The proposed regulations affecting the tax treatment of limited partnerships (1/5/77 Fed. Reg., pp. 1038-41) have been withdrawn by the Secretary. It has been reported that Secretary Simon was unaware of the controversial rules which had been published by the IRS for public response.

Additional guidelines relating to certain provisions of the Tax Reform Act of 1976 which deny certain tax benefits for participation in or cooperation with international boycotts appear in the 1/5/77 Fed. Reg., pp. 1092-96. A new part "N" relating to the computation of the foreign tax credit is included.

SPECIAL: 95th CONGRESS CONVENES

The first session of the 95th Congress formally convened this past Tuesday, 1/4/77. After the selection and recognition of the parties' leaders, the next formal business matter is the nomination and selection of members of the various standing committees of each chamber. This matter takes on added interest in the Senate as there is pending before it a resolution which would entirely overhaul the existing committee structure, which now numbers more than 30 committees. The reorganization plan represents a bi-partisan effort undertaken last fall, and it will be formally presented to the Senate at the beginning of this session. It calls for a reduction in the number of standing committees to 14 and realigns the jurisdictional responsibilities of each committee, thus permitting each Senator to devote more time to a fewer number of broad policy determinations, replacing the current situation in which Senators find themselves spread thinly among the 174 existing subcommittees.

The House of Representatives appears to be in somewhat better condition to take on the issues that await the new Congress.

There were a number of holdover proposals from the last Congress, particularly issues that affect the business community such as regulatory reform, divestiture in certain concentrated industries, consumer protection, and federal chartering of large corporations.

High on the agenda are the initiatives to stimulate the economy, and these will range from the conservative proposals of a \$10-15 billion stimulus in the form of tax cuts and federal employment/training programs to a liberal alternative, backed by more than 40 House Democrats, calling for more than \$30 billion in federal aid and tax reductions. More than 175 members of the House have endorsed HR 11, a bill authorizing an additional \$4 billion to create jobs through public works grants. A counter-proposal offered by the Republicans calls for cuts in the individual tax rate, incentives to stimulate capital formation in the private sector, and integration of corporate and personal taxes. In addition, it replaces the Summer Youth Employment Program with a year-round program encouraging young people to pursue work-study programs. There are tax incentives to encourage the private sector to hire long-term unemployed in areas with high jobless rates.

It seems evident that the new Administration and the new Congress will direct considerable attention to the state of the economy as a first order of business and it is likely that a mix of various stimuli, including tax incentives and job creation programs, will form the basic framework for responding to this priority item. Depending on the speed of the recovery and the ability of the new Congress to work with the Carter Administration, other proposals of more far-reaching effect on the private sector could then be the next order of business.

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